STAFF PENSION PLAN FOR EMPLOYEES OF THE

SASKATCHEWAN LEGAL AID COMMISSION

FINANCIAL STATEMENTS

For the Year Ended December 31, 2007

Provincial Auditor Saskatchewan

SASKATCHEWAN

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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of net assets available for benefits of the Staff Pension Plan for Employees of the Saskatchewan Legal Aid Commission (Plan) as at December 31, 2007 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at December 31, 2007 and changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
March 6, 2008

Fred Wendel, CMA, CA
Provincial Auditor

Statement 1

STAFF PENSION PLAN FOR EMPLOYEES OF THE SASKATCHEWAN LEGAL AID COMMISSION
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
As at December 31

	2007	2006
Assets		
Investments (Note 3)		
Forfeiture account	$ 3,422	$ 3,102
Guaranteed funds	3,142,789	3,444,997
Pooled funds	14,168,614	13,216,884
	17,314,825	16,664,983
Prepaid Expenses	---	5,035
	$ 17,314,825	$ 16,670,018
Liabilities		
Accounts Payable	$ 275	$ ---
Due to terminated members	23,842	---
	24,117	---
Net Assets Available for Benefits (Statement 2)	17,290,708	16,670,018
	$ 17,314,825	$ 16,670,018

(See accompanying notes to the financial statements)

STAFF PENSION PLAN FOR EMPLOYEES OF THE SASKATCHEWAN LEGAL AID COMMISSION
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
For The Year Ended December 31

	2007	2006
Increase in Assets		
Investment income		
Interest	$ 113,055	$ 113,546
Current period change in market values of Pooled investments	210,431	1,771,905
Contributions		
Member's required	569,680	471,053
Member's voluntary	9,935	7,240
Employer's required	569,680	471,053
Total increase in assets	1,472,781	2,834,797
Decrease in Assets		
Administration expenses (Note 4)	69,054	57,290
Transfers and refunds	783,037	1,156,342
Total decrease in assets	852,091	1,213,632
Increase in net assets	620,690	1,621,165
Net assets available for benefits at beginning of year	16,670,018	15,048,853
Net Assets Available for Benefits at end of year (Statement 1)	$ 17,290,708	$ 16,670,018

(See accompanying notes to the financial statements)

STAFF PENSION PLAN FOR EMPLOYEES OF THE
SASKATCHEWAN LEGAL AID COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007

1. Description of Plan

The following description is in summary only. For more complete information, reference should be made to the Plan document.

a) General

The Staff Pension Plan for Employees of The Saskatchewan Legal Aid Commission (Plan) is a defined contribution plan registered under *The Pension Benefits Act, 1992* of Saskatchewan (the Act).

The Plan was established as the Staff Pension Plan for the Employees of the Saskatchewan Community Legal Services Commission on November 1, 1977. The Plan was amended and the new name created as at September 1, 1983.

b) Administration

Effective January 1, 1996, the Plan is administered and sponsored by a joint trustees arrangement. The joint trustees consist of four members, two appointed by The Saskatchewan Legal Aid Commission (Commission), and two appointed by C.U.P.E., Local 1949. Day-to-day administration is provided by the Commission for the Trustees.

Prior to January 1996, the Trustees had an agreement with the North American Life Assurance Company (NALAC) to serve as the Plan's investment agency, investment custodian, and record keeper. Effective January 1, 1996, NALAC amalgamated with the Manufacturers Life Insurance Company (Manulife Financial) and this agreement continues with Manulife Financial.

c) Contributions

On January 1, 2007, all employees eligible for the pension plan contribute 5.0% of their earnings. Effective July 1, 2007, all employees eligible for the pension plan contribute 5.5% of their earnings. Notwithstanding the preceding, employees who contributed 8% as at June 1, 2005 continue to contribute 8% of their earnings as per an agreement reached between the Commission and C.U.P.E. 1949. These amounts are matched by the Commission. The Commission's contributions are vested after two years of service and all members' contributions made before 1994 are considered additional voluntary contributions. The Commission's contributions made before 1994 are considered required contributions and subject to the minimum requirements of the Act.

Members may make additional voluntary contributions which are not matched by the Commission.

d) Retirement, termination, or death

Upon retirement from employment, termination or death, a member's pension benefits, subject to vesting status, must be transferred from the Plan to another financial institution. Effective September 1, 2000, a member whose employment is terminated with the Commission must elect to transfer benefits from the Plan. If the member fails to make an election within 90 days after being provided with a statement outlining options and deadlines, the member's account will be transferred to a deferred life annuity which is not commutable. Effective April 1, 2002, a member eligible to retire may transfer funds from the pension plan directly to a prescribed RRIF, subject to spousal consent.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following accounting policy is considered significant:

Investments:

Investments in Guaranteed funds are valued at cost plus interest earned on the funds which approximates market value.

Investments in Pooled funds are recorded at market value which are determined by reference to closing year end unit prices. Current period changes in value of Pooled funds are accounted for in the Statement of Changes in Net Assets Available For Benefits.

For investments held, fair value approximates quoted market values.

Interest income is recorded as earned.

3. Investments

The Plan allows participating members to invest in either the Guaranteed or Pooled funds. These funds offer a choice of different levels of income and growth, guarantees and risk taking.

The members' interest rate risk arises from the potential adverse consequences of interest rate changes on the value of the Plan's assets.

The members' credit risk for Guaranteed funds are minimal as all investments consist of Guaranteed Investment Certificates (GICs). For Pooled funds, the Trustee's Statement of Investment Policy and Goals[1] limits members' credit risk by regulating the aggregate and individual investments limits, by setting quality parameters of investments, and by setting constraints.

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[1] The Trustee's Statement of Investment Policy and Goals is in accordance with *The Pension Benefits Act, 1992 (Saskatchewan)*.

Individual Investment Limits

- No more than 15% of the fixed income portfolio may be invested in BBB rated bonds;
- Aggregate investments (stocks, bonds and short term investments) of any one issuer, other than the Government of Canada or a province, should not exceed 10% of the market value of the total portfolio held within any pooled fund; and
- No investment will be permitted in real estate or resource properties.

Quality of Investments

Plan assets will be invested in Pooled Funds that meet the following quality parameters:

- Investments in Canadian short-term notes and treasury bills will be rated R1-low or higher by Dominion Bond Rating Services;
- Investments in Canadian bonds and debentures will be rated AAA, AA and A by Dominion Bond Rating Services. Investments in BBB bonds are also permissible, provided that the overall bond quality does not go lower than A;
- Investments in non-Canadian short-term notes, treasury bills, bonds and debentures will be restricted to securities meeting local rating service criteria comparable to those above for Canadian securities; and
- All investments will be made in accordance with the Code of Ethics and Standards of Practice of the CFA institute.

Constraints

- No investment in "venture capital funds" shall be permitted;
- All investments will satisfy the criteria established by the *Income Tax Act (Canada)* and *The Pensions Benefits Act, 1992 (Saskatchewan)*;
- No borrowing by the Plan sponsor or any other party involved in the management of the pension fund is allowed; and
- No derivative instruments such as options, futures, warrants can be used in a speculative manner but they will be allowed under a hedging strategy.

<u>Forfeiture Account:</u> This account represents non-vested benefits forfeited by terminated employees. This fund is made up of a current interest bearing account.

<u>Guaranteed funds:</u> The Guaranteed funds offered by the Plan are managed by Manulife Financial. These funds are made up of a current interest bearing account and GICs from 1 to 10 years in length.

<u>Pooled funds:</u> The Pooled funds are managed by various investment managers under contract with Manulife Financial. The Funds have no fixed interest rate and the Pooled funds return is based on the performance of the funds. These funds include investment in the following Manulife Financial Funds at December 31, 2007:

> <u>Balanced Asset Allocation Fund</u>: This fund is managed to provide a balance between growth of capital and current income, with a greater emphasis on growth of capital. The fund will generally maintain 60% of its

investments in equity funds and 40% in bond funds, though each segment may vary up to 10% from time to time.

Growth Asset Allocation Fund: This fund is managed to provide a long-term growth of capital, with some consideration given to current income. The fund will generally maintain 80% of its investments in equity funds and 20% in bond funds, though each segment may vary up to 10% from time to time.

Aggressive Asset Allocation Fund: This fund is managed to provide a long-term growth of capital, with no consideration given to current income. The fund will generally maintain 100% of its investments in equity funds, though each segment may vary up to 10% from time to time.

Conservative Asset Allocation Fund: This fund is managed to provide a high level of current income and capital preservation with some consideration given to growth of capital. The fund will generally maintain 80% of its investments in bond funds and 20% in equity funds, though each segment may vary up to 10% from time to time.

Moderate Asset Allocation Fund: This fund is managed to provide a balance between current income and growth of capital, with a greater emphasis on income and capital preservation. The fund will generally maintain 60% of its investments in bond funds and 40% in equity funds, though each segment may vary up to 10% from time to time.

McLean Budden Fixed Income Fund: This fund is managed for a balance of security and growth over a period of at least four years. This fund invests in a diversified portfolio of high quality Canadian and foreign (up to 10%) debt securities such as bonds, debentures and T-Bills.

Leith Wheeler Diversified Pooled Fund: This fund is managed to provide a relatively stable, superior, long term rate of return through a balanced portfolio of common shares and fixed income securities.

McLean Budden Balanced Growth Fund: This fund is managed for a balance of security and growth. This fund invests in Canadian and foreign equities and fixed income securities issued by Canadian governments and corporations and may also invest in foreign pay bonds, up to 10% of fixed income portfolio.

McLean Budden Canadian Equity Growth Fund: This fund is managed for a balance of security and growth over a period of at least four years. This fund invests in a diversified portfolio of Canadian stocks and convertible securities.

MFC Canadian Large Cap Value Equity Fund: This fund is managed to achieve above average long-term capital growth, primarily through investment in common shares of listed Canadian companies with relatively large market capitalization.

McLean Budden Global Equity Fund: This fund is managed to provide a superior rate of return, primarily through capital appreciation. The fund invests in a diversified portfolio of 60-80 non-Canadian equities.

MFC Global Pooled U.S. Index Fund: This fund aims to achieve investment results that approximate the total return of the S&P 500 Stock Index. The Fund will invest directly in common shares and may use derivative instruments such as futures in order to replicate the returns of the S&P 500 Stock Index. The Fund may also invest a portion of its funds in cash.

Fidelity Growth America Fund: The investment objective of this fund is to achieve long-term capital growth by investing primarily in equity securities of U.S. companies. The portfolio manager searches for investment opportunities by using Fidelity's traditional bottom-up investment style, selecting securities for the fund on a stock by stock basis.

International Equity Fund (Templeton): This fund is managed to achieve long-term appreciation, primarily through investments in equity securities of companies outside Canada and the United States. Franklin Templeton's investment philosophy is based on identifying undervalued companies that, over time, may produce the greatest share price returns with minimum risk.

Investments at December 31	Market Value	
	2007	2006
Forfeiture Account:		
Current Interest Deposit Account	$ 3,422	$ 3,102
Guaranteed funds:		
Current Interest Deposit Account	253,279	405,691
1 Year Term	563,160	254,942
2 Year Term	10,250	7,522
3 Year Term	188,957	200,750
4 Year Term	36,409	39,470
5 Year Term	2,090,734	2,499,628
10 Year Term	---	36,994
	3,142,789	3,444,997
Pooled funds:		
Asset Allocation		
Balanced Asset Allocation Fund	1,311,356	1,194,565
Growth Asset Allocation Fund	652,247	437,959
Aggressive Asset Allocation Fund	318,834	316,397
Conservative Asset Allocation Fund	255,136	133,312
Moderate Asset Allocation Fund	83,856	77,824
Canadian Bond		
McLean Budden Fixed Income Fund	1,207,025	1,188,871

Investments at December 31 continued	Market Value	
	2007	2006
Balanced		
Leith Wheeler Diversified Pooled Fund	2,722,434	---
McLean Budden Balanced Growth Fund	1,402,106	1,467,730
Seamark Balanced Fund	---	2,741,116
Canadian Equity		
McLean Budden Canadian Equity Growth Fund	3,642,456	3,202,401
MFC Canadian Large Cap Value Equity Fund	1,223,237	---
Seamark Canadian Equity Fund	---	1,110,241
Global Equity		
McLean Budden Global Equity Fund	125,036	79,065
U.S. Equity		
Fidelity Growth American Fund	230,953	303,163
MFC Global Pooled U.S. Index Fund	51,561	104,789
International Equity		
International Equity Fund (Templeton)	942,377	859,451
	14,168,614	13,216,884
Total investments	$ 17,314,825	$ 16,664,983

4. Administration Expenses

The Plan has an agreement with Aon Consulting Inc. to help administer the annual operating expenditures associated with the Plan's administration. The Pension Plan Document allows for the payment of the following expenses from the pension fund:

- The fees of the investment manager and fund custodian; and
- Any expenses reasonably and properly incurred by the Trustees in the administration and operation of the Pension Plan and Pension Fund.

Any forfeited amounts which arise shall be applied towards the payment of any fees and expenses incurred by the plan.

5. Related Party Transactions

Transactions with the Commission (a related party) and amounts due to or from it are described separately in these financial statements and the notes thereto.

The day-to-day administration provided by the Commission and Trustees are provided without charge to the Plan.

6. Investment performance

The investment manager makes day-to-day decisions on whether to buy or sell investments in order to achieve the long-term performance objectives. The Trustees review the investment performance of the Plan in terms of the performance of benchmark portfolio over 4 year rolling periods. The primary long-term investment performance objective for the entire portfolio is to out perform a benchmark portfolio.

Each member makes the investment selection of the member and Commission contributions. The Plan allows participating members to invest in either Guaranteed or Pooled funds. These funds offer a choice of different levels of income and growth, guarantees and risk taking.

The following is a summary of the Plan's investment performance at December 31, 2007 (2006):

	Actual Rate of Return 2007 (2006)(a)	One Year Average Investment Objective Return (b)	Rolling Four Year Average Rate of Return (b)	Rolling Four Year Average Investment Objective Return (b)
GICs	Range during the year:		Not applicable	Not applicable
Daily	1.275% to 1.300% (0.775% to 1.275%)			
1 year	3.525% to 4.150% (2.975% to 4.025%)	3.05% (2.79%)		
2 year	3.425% to 4.250% (2.975% to 3.925%)			
3 year	3.525% to 4.450% (3.325% to 4.025%)	3.14% (2.84%)		
4 year	3.325% to 4.350% (3.325% to 4.075%)			
5 year	3.425% to 4.300% (3.325% to 4.075%)	3.26% (2.89%)		
10 year	3.525% to 4.100% (3.425% to 4.075%)			
Manulife Balanced Asset Allocation Fund	1.25% (13.76%)	1.82% (12.67%)	9.09% (12.83%)	8.34% (11.11%)
Manulife Growth Asset Allocation Fund	0.75% (16.72%)	2.93% (15.32%)	10.60% (15.52%)	10.71% (14.29%)
Manulife Aggressive Asset Allocation Fund	0.82% (18.94%)	4.06% (17.96%)	12.10% (18.12%)	12.97% (17.33%)
Manulife Conservative Asset Allocation Fund	2.83% (7.74%)	3.18% (6.82%)	6.39% (8.07%)	5.88% (7.06%)
Manulife Moderate Asset Allocation Fund	2.14% (10.50%)	2.53% (9.41%)	7.73% (10.38%)	6.95% (8.88%)
Manulife McLean Budden Fixed Income Fund	2.56% (4.13%)	3.68% (4.06%)	5.15% (6.15%)	5.33% (6.08%)
Manulife Leith Wheeler Diversified Pooled Fund	-0.16% ---	1.91% ---	9.84% ---	9.05% ---
Manulife McLean Budden Balanced Growth Fund	2.14% (13.68%)	2.87% (12.12%)	8.82% (11.94%)	9.04% (11.57%)
Manulife McLean Budden Canadian Equity Growth Fund	11.65% (21.32%)	9.83% (17.26%)	16.81% (21.50%)	16.31% (20.55%)

	Actual Rate of Return 2007 (2006)(a)	One Year Average Investment Objective Return (b)	Rolling Four Year Average Rate of Return (b)	Rolling Four Year Average Investment Objective Return (b)
Manulife MFC Canadian Large Cap Value Equity Fund	5.35% ---	9.83% ---	16.21% ---	16.31% ---
Manulife McLean Budden Global Equity Fund	-7.79% (19.59%)	-7.53% (19.61%)	5.3% (9.68%)	5.86% (10.27%)
Manulife Fidelity Growth American Fund	-9.44% (10.12%)	-10.53% (15.36%)	2.62% (7.76%)	2.07% (6.30%)
Manulife MFC Global Pooled U.S. Index Fund	-10.74% (15.33%)	-10.80% (15.21%to 15.61%)	1.78% (5.89%)	1.81% (5.85% to 6.25%)
Manulife International Equity Fund (Templeton)	-6.09% (27.14%)	-5.72% (25.86%)	10.68% (16.58%)	10.01% (15.19%)
Manulife Seamark Balanced Fund[c]	--- (13.78%)	--- (12.12%)	--- (10.72%)	--- (11.57%)
Manulife Seamark Canadian Equity Fund[c]	--- (19.47%)	--- (17.26%)	--- (18.88%)	--- (20.55%)

a) Rates of return are before deducting investment expenses. Source: Manulife Financial's web-site and Aon Consulting Inc.

b) Source: Aon Consulting Inc.

c) There is no investment performance reported on the fund for the current year. The fund was removed as an investment alternative in 2007, and any balance remaining in the fund was transferred to another predetermined investment alternative.